

EXECUTIVE SUMMARY

Idaho's economy should end this decade on a higher note than when it started it. Battered by the high-tech industry's implosion near the turn of the millennium, Idaho nonfarm employment grew an average of 1.8% per year from 1999 through 2004, which was well below the average for the previous five years. While Idaho real personal income did not retreat during this decade's first five years, it did slow considerably. The one noticeable exception came in 2004 when, aided by a strong farm sector, real Idaho personal income jumped 7.0%. Driven by its construction and services sectors, Idaho's economy picked up speed in 2005. The construction sector received the most attention due to its stellar performance. With construction experiencing such strong growth, the services category's fine performance was often overlooked. Services employment advanced "just" 4.4% in 2006. However, given this sector's huge base, services employment increased by 11,723 jobs, which is more than two times greater than the construction sector gain. It is also worth noting both the state's logging and wood products and mining sectors expanded in 2005. Idaho real personal income grew 3.6% in 2005. Early indicators suggest the economy grew faster in 2006 than in 2005. Idaho nonfarm employment is estimated to have increased 4.3%, which is slightly faster than the previous year's 4.0% rate. The strong employment gains pushed total wage and salary payments up 10.2% in 2006, which helped Idaho real personal income swell 5.8%. Looking ahead, Idaho nonfarm employment is forecast to advance 2.5% annually, which is much faster than it grew earlier this decade. Idaho real personal income should also end the decade stronger than when it started it. It is projected to increase 4.8% per year, which is higher than the 3.4% annual rate from 1999 through 2004.

If the U.S. economy were graded on its recent performance, its report card would state that while it may not be failing, it could be doing better. The economy shifted into lower gear in the second half of last year, with real GDP advancing at a meager 2.6% annual rate in the second quarter followed by 2.0% in the third quarter and an estimated 1.2% rate in the last quarter. Real output should begin to accelerate this year, but at less than 3.0% growth it will remain well below its potential. The cooling housing market is partially to blame for this sub-par performance. The impacts of the housing decline will be partially deflected by other economic factors. Nonresidential construction will soften the blow from falling housing starts this year, but it will only provide temporary relief. Eventually, it will weaken under the weight of the ebbing housing sector. Falling oil prices should also help. The roughly 80-cent per gallon decline in gasoline prices since the summer of 2006 has operated like a tax cut for households worth \$96 billion, or 1.0% of disposable income. Another positive factor is trade. Improving economic growth abroad and the declining dollar point to strong exports. Inflation has probably topped out, but it is still too high for the Federal Reserve's comfort. Even so, the Federal Reserve is expected to lower interest rates three times in 2007, so its federal funds rate is 4.5% by the end of this year. After this year, the economy is expected to move up to its potential. Real GDP should advance by at least 3.0% in each year after 2007. Nonfarm employment growth is expected to march to a 1.4% average annual cadence. At this pace, the civilian unemployment rate will eventually fall to 4.4% by 2010, which is comfortably full employment.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JANUARY 2007**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (BILLIONS)												
Current \$	9,268	9,817	10,128	10,470	10,961	11,712	12,456	13,237	13,789	14,497	15,285	16,103
% Ch	6.0%	5.9%	3.2%	3.4%	4.7%	6.9%	6.3%	6.3%	4.2%	5.1%	5.4%	5.4%
2000 Chain-Weighted	9,470	9,817	9,891	10,049	10,301	10,704	11,049	11,410	11,659	12,028	12,441	12,854
% Ch	4.4%	3.7%	0.8%	1.6%	2.5%	3.9%	3.2%	3.3%	2.2%	3.2%	3.4%	3.3%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	29,068	31,290	33,054	33,849	34,687	38,090	40,584	44,147	47,361	50,216	53,509	57,370
% Ch	6.5%	7.6%	5.6%	2.4%	2.5%	9.8%	6.5%	8.8%	7.3%	6.0%	6.6%	7.2%
Idaho Nonfarm (Millions)	28,054	30,448	32,039	32,921	33,969	36,942	39,589	43,121	46,303	49,140	52,419	56,267
% Ch	6.5%	8.5%	5.2%	2.8%	3.2%	8.8%	7.2%	8.9%	7.4%	6.1%	6.7%	7.3%
U.S. (Billions)	7,802	8,430	8,724	8,882	9,164	9,731	10,239	10,898	11,432	12,040	12,775	13,550
% Ch	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.2%	6.4%	4.9%	5.3%	6.1%	6.1%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	29,788	31,289	32,376	32,690	32,847	35,143	36,397	38,522	40,599	42,215	44,135	46,444
% Ch	4.8%	5.0%	3.5%	1.0%	0.5%	7.0%	3.6%	5.8%	5.4%	4.0%	4.5%	5.2%
Idaho Nonfarm (Millions)	28,748	30,447	31,382	31,795	32,167	34,083	35,504	37,627	39,692	41,311	43,235	45,551
% Ch	4.7%	5.9%	3.1%	1.3%	1.2%	6.0%	4.2%	6.0%	5.5%	4.1%	4.7%	5.4%
U.S. (Billions)	7,996	8,429	8,545	8,578	8,678	8,979	9,183	9,510	9,800	10,122	10,537	10,969
% Ch	3.4%	5.4%	1.4%	0.4%	1.2%	3.5%	2.3%	3.6%	3.1%	3.3%	4.1%	4.1%
HOUSING STARTS												
Idaho	10,334	11,468	12,184	13,200	16,305	18,486	23,163	20,813	20,071	19,764	19,567	20,195
% Ch	2.3%	11.0%	6.2%	8.3%	23.5%	13.4%	25.3%	-10.1%	-3.6%	-1.5%	-1.0%	3.2%
U.S. (Millions)	1,647	1,573	1,601	1,710	1,854	1,950	2,073	1,801	1,497	1,599	1,703	1,750
% Ch	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-13.1%	-16.9%	6.8%	6.5%	2.8%
TOTAL NONFARM EMPLOYMENT												
Idaho	538,098	558,578	568,031	568,041	572,532	588,039	611,687	638,046	654,575	668,922	683,842	704,322
% Ch	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.3%	2.6%	2.2%	2.2%	3.0%
U.S. (Thousands)	128,992	131,792	131,832	130,342	129,993	131,424	133,459	135,340	136,614	138,359	140,471	142,481
% Ch	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.4%	0.9%	1.3%	1.5%	1.4%
SELECTED INTEREST RATES												
Federal Funds	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	4.9%	4.5%	4.7%	4.8%
Bank Prime	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	7.9%	7.5%	7.7%	7.8%
Existing Home Mortgage	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.4%	6.5%	7.0%	7.1%
INFLATION												
GDP Price Deflator	1.4%	2.2%	2.4%	1.7%	2.1%	2.8%	3.0%	2.9%	1.9%	1.9%	1.9%	2.0%
Personal Cons Deflator	1.7%	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	1.8%	2.0%	1.9%	1.9%
Consumer Price Index	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	1.7%	2.0%	1.8%	1.8%

**National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the THIRD Quarter of 2006**

**IDAHO ECONOMIC FORECAST
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	2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	13,008	13,197	13,327	13,416	13,572	13,705	13,866	14,012	14,214	14,400	14,595	14,779
% Ch	9.0%	5.9%	4.0%	2.7%	4.7%	4.0%	4.8%	4.3%	5.9%	5.3%	5.5%	5.2%
2000 Chain-Weighted	11,316	11,388	11,451	11,486	11,548	11,616	11,699	11,772	11,881	11,978	12,079	12,176
% Ch	5.6%	2.6%	2.2%	1.2%	2.2%	2.3%	2.9%	2.5%	3.7%	3.3%	3.4%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	42,861	43,587	44,507	45,633	46,366	47,007	47,696	48,376	49,061	49,840	50,579	51,383
% Ch	12.6%	6.9%	8.7%	10.5%	6.6%	5.6%	6.0%	5.8%	5.8%	6.5%	6.1%	6.5%
Idaho Nonfarm (Millions)	41,893	42,671	43,451	44,470	45,282	45,965	46,637	47,330	47,997	48,766	49,496	50,301
% Ch	12.6%	7.6%	7.5%	9.7%	7.5%	6.2%	6.0%	6.1%	5.8%	6.6%	6.1%	6.7%
U.S. (Billions)	10,721	10,807	10,954	11,107	11,251	11,365	11,489	11,623	11,781	11,954	12,124	12,302
% Ch	9.4%	3.2%	5.5%	5.7%	5.3%	4.1%	4.4%	4.7%	5.6%	6.0%	5.8%	6.0%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	37,781	38,043	38,615	39,650	40,047	40,401	40,782	41,165	41,539	42,008	42,420	42,894
% Ch	10.3%	2.8%	6.1%	11.2%	4.1%	3.6%	3.8%	3.8%	3.7%	4.6%	4.0%	4.5%
Idaho Nonfarm (Millions)	36,928	37,244	37,699	38,639	39,110	39,505	39,876	40,276	40,639	41,103	41,511	41,990
% Ch	10.4%	3.5%	5.0%	10.4%	5.0%	4.1%	3.8%	4.1%	3.7%	4.7%	4.0%	4.7%
U.S. (Billions)	9,451	9,433	9,504	9,651	9,717	9,768	9,823	9,890	9,975	10,075	10,168	10,269
% Ch	7.2%	-0.8%	3.1%	6.3%	2.8%	2.1%	2.3%	2.8%	3.5%	4.1%	3.7%	4.0%
HOUSING STARTS												
Idaho	23,062	21,427	18,567	20,197	20,223	20,043	20,022	19,995	19,963	19,846	19,701	19,547
% Ch	16.5%	-25.5%	-43.6%	40.0%	0.5%	-3.5%	-0.4%	-0.5%	-0.6%	-2.3%	-2.9%	-3.1%
U.S. (Millions)	2.123	1.873	1.720	1.488	1.484	1.480	1.500	1.522	1.548	1.585	1.614	1.648
% Ch	12.9%	-39.5%	-28.9%	-43.9%	-1.0%	-1.1%	5.3%	6.2%	6.9%	9.8%	7.6%	8.7%
TOTAL NONFARM EMPLOYMENT												
Idaho	631,588	636,917	639,430	644,249	648,352	652,574	656,799	660,576	663,846	667,310	670,543	673,989
% Ch	7.3%	3.4%	1.6%	3.0%	2.6%	2.6%	2.6%	2.3%	2.0%	2.1%	2.0%	2.1%
U.S. (Thousands)	134,722	135,128	135,577	135,934	136,272	136,418	136,687	137,079	137,593	138,104	138,613	139,126
% Ch	1.7%	1.2%	1.3%	1.1%	1.0%	0.4%	0.8%	1.2%	1.5%	1.5%	1.5%	1.5%
SELECTED INTEREST RATES												
Federal Funds	4.5%	4.9%	5.2%	5.2%	5.3%	5.1%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%
Bank Prime	7.4%	7.9%	8.3%	8.3%	8.3%	8.1%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%
Existing Home Mortgage	6.4%	6.6%	6.8%	6.5%	6.4%	6.4%	6.3%	6.3%	6.3%	6.4%	6.6%	6.8%
INFLATION												
GDP Price Deflator	3.3%	3.3%	1.8%	1.4%	2.5%	1.6%	1.8%	1.7%	2.1%	2.0%	2.0%	1.9%
Personal Cons Deflator	2.0%	4.0%	2.4%	-0.6%	2.4%	2.0%	2.1%	1.9%	2.0%	1.8%	2.0%	1.9%
Consumer Price Index	2.2%	5.0%	2.9%	-2.5%	3.0%	2.1%	2.2%	2.0%	2.1%	1.8%	1.9%	1.8%

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